



*Proven Expertise and Integrity*

February 12, 2010

Ms. Neria Douglass  
State Auditor  
State of Maine, Department of Audit  
66 State House Station  
Augusta, Maine 04333-0066

Dear Neria,

As discussed, we are issuing this letter to convey the results of our review specifically of the use of federal funds by an employee of the Central Western Maine Workforce Investment Board (the "Corporation") on or around August of 2009.

The following is a summary of events as conveyed to us in reference to the above matter:

- 1) Central Western Maine Workforce board is a Domestic Maine Non Profit Corporation, also established under IRS code section 501©(3)
- 2) A Line of Credit of \$100,000 with Bangor Savings Bank was secured by the Corporation on August 5, 2009.
- 3) The Line of Credit was authorized by Philip Roy, Fiscal Agent/Treasurer of the Central Western Maine Workforce Investment Board. (We understand this was done with State of Maine, Dept of Labor, and the Corporation's Executive Director and Board Treasurer knowledge)
- 4) Prior to August 28, 2009 The Fiscal Agent (who is an employee of the Corporation) obtained permission from the Executive Director to "borrow" \$15,000 from the Corporation for personal use. ( It was understood by the Executive Director that the Fiscal Agent was to use these funds for his personal residence)
- 5) On August 28, 2009, the Fiscal Agent received \$15,000 from the Corporation. No promissory note was executed between the parties. The money was disbursed via a bank draft form the Corporation's operating checking account at Bangor Savings Bank.
- 6) On or around December 1<sup>st</sup>, 2009 the U.S. Department of Labor conducted an audit/monitoring of the fiscal affairs of the Corporation.
- 7) On or around December 4<sup>th</sup>, 2009 representatives of the audit team of the U.S. Department of Labor and State of Maine Department of Labor, met with the Corporation in an exit conference. This conference included the Executive Director and Fiscal Agent. The above mentioned issue was discussed at great length. It was discussed that the Fiscal Agent needed these funds for financial security in regards to his personal residence and that the Line of Credit was used to advance the Fiscal Agent \$15,000. It was at this exit conference the Fiscal Agent realized that he had borrowed federal funds.

- 8) On or around December 14<sup>th</sup>, 2009 the Fiscal Agent secured personal financing to pay back the \$15,000 of borrowed funds from the Corporation.
- 9) On or around December 22, 2009 the Fiscal Agent resigned his position from the Corporation and his resignation was accepted by the Board.
- 10) On or around January, 2010 the Fiscal Agent paid interest approximating \$226 back to the Corporation for the federal funds borrowed.

Our review, which started on or around December 8<sup>th</sup>, 2009, included but was not limited to, many discussions with State of Maine Department of Labor officials, Members of the Corporation's Board of Directors, the Fiscal Agent, and the Executive Director, banking officials and other interested parties as well. The following is a summary items resulting from our review into the matter as described above:

- 1) Central Western Maine Workforce board is a Domestic Maine Non Profit Corporation, also established under IRS code section 501©(3)
- 2) A Line of Credit of \$100,000 with Bangor Savings Bank was secured by the Corporation on August 5, 2009.
- 3) The Line of Credit was authorized by Philip Roy, Fiscal Agent/Treasurer of the Central Western Maine Workforce Investment Board. (We understand this was done with State of Maine, Dept of Labor, and the Corporation's Executive Director and Board Treasurer knowledge)
- 4) Prior to August 28, 2009 The Fiscal Agent (who is an employee of the Corporation) obtained permission of the Executive Director to "borrow" \$15,000 from the Corporation for personal use. ( It was understood by the Executive Director that the Fiscal Agent was to use these funds for his personal residence)
- 5) Prior to August 28, 2008 the Fiscal Agent purchased a camper approximating \$15,000.
- 6) On or around August 27 2009, the Fiscal Agent, who is also the Treasurer of the Maine Republican Party, used the Maine Republican Party's credit card to transfer \$15,000 into the Maine Republican Party's operating checking account.
- 7) On or around August 27, 2009 the Fiscal Agent, who is also the Treasurer of the Maine Republican Party, transferred \$14,600 from the Maine Republican Party's operating checking account to an account in New York to pay for and complete the purchase of a camper.
- 8) On August 28, 2009, the Fiscal Agent received \$15,000 from the Corporation. No promissory note was executed between the parties. The money was disbursed via a bank draft from the Corporation's operating checking account at Bangor Savings Bank and transferred to an account at Savings Bank of Maine in the name of Philip Roy, Treasurer of the Maine Republican Party to reimburse the Maine Republican Party for the purchase of the camper. The credit card of the Maine Republican Party was subsequently paid back with this transfer.
- 9) On or around December 1<sup>st</sup>, 2009 the US Department of Labor conducted an audit/monitoring of the fiscal affairs of the Corporation.
- 10) On or around December 4<sup>th</sup>, 2009 representatives of the audit team of the U.S. Department of Labor and State of Maine Department of Labor, in an exit conference. This conference included the Executive Director and Fiscal Agent. The above mentioned issue was discussed at great length. It was discussed that the Fiscal Agent needed these funds for financial security in regards to his personal residence and that the Line of Credit was used to advance the Fiscal Agent \$15,000. It was at this exit conference that the Fiscal Agent realized that he had borrowed federal funds.

- 11) On or around December 14<sup>th</sup>, 2009 the Fiscal Agent secured personal financing to pay back the \$15,000 of funds borrowed from the Corporation.
- 12) On or around December 22, 2009 the Fiscal Agent resigned his position from the Corporation and his resignation was accepted by the Board.
- 13) On or around January, 2010 the Fiscal Agent paid interest approximating \$226 back to the Corporation for the federal funds borrowed.
- 14) On or around January, 2010 the Treasurer of the Maine Republican Party resigned his position with the Maine Republican Party.

As part of our review we went back to the date of hire of Mr. Roy by the Corporation which was on or around December 22, 2008 and reviewed all disbursements made to Mr. Roy. These disbursements also included lease agreements executed by the corporation with Mr. Roy for the use of his residence as the Corporation's fiscal office. With the exception of the above loan, nothing came to our attention during this review that was not in the ordinary course of business regarding Mr. Roy and the payments that were made to him in his role as Fiscal Agent of the Corporation.

While we understand that there were numerous "poor choices" and decisions made at many levels of management within the Corporation, the money borrowed has been subsequently repaid with interest. Furthermore, the resignation of the Fiscal Agent has been submitted and accepted by the Corporation.

We met with the Board of the Corporation on or around December 22, 2009 and discussed this matter as it pertained to the Board as well as a corrective action plan for the Corporation. Part of this corrective action plan included the reauthorization by the Board to execute what we believe a more proper instrument with Bangor Savings Bank in regards to the Corporation's operational Line of Credit. We have also made the recommendation that in the future, until further notice, the Board be involved with the approval of all operational transfers from the Line of Credit.

We will meet with the Board in the near future to review and discuss existing and further internal control policies and procedures. We assure you, Neria, that we have the full cooperation of the Board and that the Board takes this and all fiscal matters very seriously.

We have also contacted the Chair of the Maine Republican Party and the Party's legal counsel. We have disclosed to them our review described above as it pertains to them. We have not been involved in any capacity since our disclosure to them.

We have furnished to you all the materials as it relates to our review of the above mentioned matter in support of our conclusions.

With the exception of reviewing further fiscal policies and procedures with the Board, we consider our review of this matter now closed. We have also issued a separate report to the Board dated February 12, 2010 to the Executive Director, (to be disbursed to the Board) of our summary of understanding to the Corporation as it relates to them in the above mentioned matter.

Ms. Neria Douglass – Page 4

In regards to our opinion of the financial statements of the Central Maine Workforce Investment Board as of June 30, 2009 and our opinion thereof dated November 25, 2009, there are no modifications as a result of this correspondence.

If you have any further questions of this matter or would like to meet again to review any information, please do not hesitate to call me at (800) 300-7708, ext. 27.

Very Best,

A handwritten signature in dark ink, appearing to be 'Ron', with a long, horizontal, wavy line extending to the right.

Ron H.R. Smith, C.P.A.